G 31/2/990

FET

Foreign Economic Trends and Their Implications for the United States

MAY 1990

GERMAN DEMOCRATIC REPUBLIC

FET 90-53
Frequency: Annual
Supersedes: 89-18

PREPARED BY
AMERICAN EMBASSY BERLIN

U.S. DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

Available by subscription from the Superintendent of Documents, GPO, Washington, D.C. 20402. Annual subscription, $55.00. Foreign mailing $13.75 additional. Single copies, $1.00, available from Publications Sales Branch, Room 1617, U.S. Department of Commerce, Washington, D.C. 20230.

C 61.11:

READEX FICHE best copy available

GERMAN DEMOCRATIC REPUBLIC
KEY ECONOMIC INDICATORS

	YR '87	YR '88	YR '89
DOMESTIC ECONOMY			
Population (millions)	16.68	16.68	16.4
Produced National Income (billion marks)(1)(2)	261.2	268.4	273.5
Per Capita Income (marks)(2)	15,659	16,091	16,779
PNI (percent change)	3.6	2.8	1.9
Labor Force (millions)	8.57	8.59	8.4
Industrial Labor Productivity (percent increase)	6.6	6.5	2.5
Net Industrial Production (3) (percent increase)	6.3	6.5	2.8
Net Agricultural Production (percent increase)	N/A	N/A	2.0
Gross Investment (billion marks)(4)	71.2	77.0	76.0
Balance of Payments			
Exports (billion VM(5)	89.9	90.2	N/A
Imports (billion VM(5)	86.7	87.2	N/A
Trade Balance (billion VM(5)	3.2	3.0	N/A
Hard Currency Exports(6)	9.3	9.4	N/A
Hard Currency Imports ($ billion)(6)	8.9	9.3	N/A
Gross Debt($ billion)	18.6	19.1	20.6
Net Debt (a.a.)	9.6	9.6	11.6
U.S. Trade			
U.S. Exports to GDR (f.a.s.)($ million)(7)	53.9	109.2	93.9
U.S. Imports from GDR (c.i.f.)($ million)(7)	85.4	110.4	138.6
Trade Deficit ($ million)(7)	(31.5)	(1.2)	(44.7)

Principal U.S. Exports 1989: grains, machinery, measuring equipment, film finishing equipment.

Principal U.S. Imports 1989: fertilizer, iron and steel products, petroleum products, tires, printing presses.

NOTES: N/A - not available, (1) PNI - a close equivalent to GNP, but omitting nonproductive services and depreciation charges. Most analysts believe that the official PNI growth rate overstates real GNP growth. (2) GDR's East mark (EM) is not convertible. No single exchange rate adquately reflects its value in relation to the Deutsche mark (DM). For inner-German trade, 1EM:1DM. Unofficially, in the West roughly 6-10EM:1DM. (see p.8). (3) Gross production minus depreciation and the cost of material inputs for central industries. (4) In constant 1985 prices. (5) The valuta mark (VM) is a GDR accounting unit; 4.67 VM:1 transferable ruble. The value of the EM in relation to the VM is not known. (6) GDR Foreign Trade Bank data. (7) 1989 year-end U.S. Department of Commerce data.

SUMMARY*

The German Democratic Republic (GDR) is in a period of fundamental change, as is the Soviet Union and the rest if Eastern Europe. In October 1989, mass emigration of GDR citizens and a wave of large, peaceful demonstrations forced the first change in leadership in almost two decades. Non-Communists joined the government in November. In December, a national roundtable of representatives from across the political spectrum, set May 6, 1990 -- later advanced to March 18 -- as the date for the first free elections in the 40-year history of the GDR.

Results of the elections gave the conservative Alliance for Germany (consisting of the Christian Democratic Union (CDU), the German Social Union, and Democratic Awakening) 48 percent of the vote and a majority of seats in the Volkskammer, the GDR's parliament. The Alliance formed a coalition government on April 12, with 24 government ministers. The Volkskammer has passed legislation on free travel and joint ventures. Laws on fundamental economic reform are expected by mid-year. German unification is now certain, with only the timetable to be determined.

Fundamental political change has brought economic uncertainty. GDR living standards -- on a rough par with Spain -- are the highest in the 10-member Council for Mutual Economic Assistance (CMEA), but have not satisfied a population long-accustomed to comparison with the Federal Republic of Germany (FRG). This dissatisfaction continues to foster emigration and heightens pressure for serious reform. The reform focus is on decentralization, wage and price reform, a sharp reduction in government subsidies, and opening of the economy to world market influences. Neither the GDR's international credit rating nor its access to international finance appears to have been affected appreciably by recent events. There is even the promise,as reforms proceed, of substantial new financial support from the FRG.

A currency union has been a topic of much recent debate. On April 12, the FRG offered to convert the East mark (EM) at a 1:1 par with the Deutsche mark (DM), opening the way for economic and monetary union of the two Germanys by July 2. The immediate economic outlook for the GDR is mixed, however. Economic growth slowed to the point of stagnation in the second half of the 1980s and turned negative in the fourth quarter of 1989. The outlook for 1990 is for an economic downturn, perhaps by 5 percent or more. The uncertain political situation and impending unification is a clear constraint. The labor drain, perhaps 2 percent of the labor force per year, is continuing and may increase. Moreover, the transition from a highly centralized

---

* Note: This overview of the GDR was updated in May 1990 in an attempt to provide the most current information available. All information may not be accurate at the time this material is distributed.

plan to a market-oriented system is likely to hinder performance. The government is counting on its new joint venture legislation and subsequent economic reform to help revitalize the economy by promoting substantial investment and technology flows from abroad.

The FRG is best positioned to participate in this opening. There is also considerable room for the United States and others. Import priorities include sophisticated products and processes for flexible automation, energy conservation, environmental protection, measuring, testing, and process controls, consumer goods, and agricultural products. Product areas offering the best U.S. nonagricultural export opportunities are: machinery, environmental equipment, energy-saving technologies, packaging equipment, telecommunications, road construction machinery, and medical technology.

PART A: CURRENT ECONOMIC SITUATION AND OUTLOOK

Overview: The Difficult Transition to the Market: The GDR faces the same kind of economic challenge that confronts Eastern Europe as a whole. It must move from a highly centralized state planning system to a market-based economy. At the same time, it must quickly create viable democratic institutions. The GDR has some advantages and some disadvantages, relative to its regional neighbors. The central issue of the GDR's relationship with the FRG and pressure for unification is a particular complicating factor. The region-wide move toward market systems is an important incentive to reformers who are keen to ensure the GDR does not lose ground.

The GDR economy is the most highly developed in the CMEA.* Although it is relatively resource-poor, per capita output levels are considerably above those of the other nonmarket economies in the region. The country is highly industrialized and has achieved a notable degree of self-sufficiency in agriculture. In the past, most observers have attributed the GDR's relative success to its disciplined work force, to comparatively efficient economic planning and organization, and, to a lesser extent, to financial support from the FRG. Officially reported growth rates exceeded 3 to 4 percent through most of the GDR's 40-year history.

The onset of a national crisis in the fall of 1989 exposed the GDR's weaknesses. In particular, the country's chronic labor shortage worsened and began to affect production. Former Prime Minister Modrow attributed two-thirds of the economic downturn to

---

* CMEA is the Council for Mutual Economic Assistance, sometimes called Comecon. CMEA includes Bulgaria, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Mongolia, Poland, Romania, USSR, and Vietnam.

the exodus of young and skilled workers to the FRG. Emigration from the GDR in 1989 exceeded 340,000 -- two-thirds following the opening of the Berlin Wall on November 9. The outflow continued at a comparable, if not greater, pace in the early weeks of 1990, raising the specter of the loss of perhaps another 500,000 people over the course of the year, a severe blow to a nation with a population of 16.6 million.

Years of communist rule saw only occasional efforts to fine-tune the highly centralized system. In recent years, the bulk of economic activity was concentrated in 126 "kombinats," or state-owned monopolies. These kombinats had their own foreign trade and research and development organizations, all operating in the context of a tightly controlled central plan. Government social policy objectives to maintain stable prices for basic consumer goods and services required ever greater and burdensome subsidization. Both approaches are incompatible with the market and are the present focus of reform. Moreover, a considerable reduction in the central government apparatus is inevitable, with a need to relocate several hundred thousand workers into the productive sphere. In an initial and politically sensitive move, the government pared the strength of the state security apparatus. Although the actuality is somewhat clouded, it would appear that as many as 85,000-110,000 former security employees are being let go. To be sure, lacking an employment insurance progam, the government is legally bound to pay up to three years' salary for those workers unable to find new employment.

Industry: The GDR's industrial base is both broad and well-developed, accounting for some 65 percent of produced national income. The country boasts impressive metalworking and machine-building industries, encompassing 40 percent of industrial output. There are also important assets in chemicals and metallurgy. The misdirected and oft-criticized commitment of the former Honecker regime to develop a world-class computer industry led to tremendous investment in microelectronics. Results failed to meet expectations, however, with quality and capability lagging fast-advancing world standards due to the great need for capital investment and modernization. The new government hopes that joint ventures will bring the necessary foreign investment to revitalize both heavy and light industry alike, and to generate the economic turnaround needed to stem the destabilizing outflow of workers.

Following decades of official (and now recognized as questionable) statistics asserting steady and high industrial growth, GDR industrial performance has entered a slump. Output actually declined by 2 percent in the fourth quarter of 1989, reducing annual growth to only 2.5 percent, the poorest result in GDR history. Prospects are for more of the same in 1990 as workers leave and the economic reform process advances. For 1989 as a whole, output lagged the plan in almost half of the 383 major plan categories, with production 2.2 days behind schedule.

The government has noted particular problems in production of electro-technical equipment, agricultural spare parts, tires, food packaging, steel forms, textile machinery, and clothing and other consumer goods. The energy situation is potentially very tight as lignite coal output fell 3 percent in 1989, and notable production cutbacks are considered in response to environmental concerns. Construction has been particularly hard hit by the loss of workers: down 6 percent in the fourth quarter and stagnant for the year overall. Transportation, faced with the loss of workers and substantially increased demand for passenger rail traffic as a result of the opening of the borders, has created bottlenecks in the economy.

Agriculture: The agricultural sector faces many of the same challenges as the broader economy, but has generally managed to avoid disruption. A relatively dry 1989 cut into crop yields and left output lagging plan targets. The annual grain harvest of 10.9 million metric tons (mmt) was somewhat of an improvement over the 1988 results. Still, additional grain imports of 1.5 mmt were necessary. Particular problem areas for 1989 included sugar beets and potatoes. The traditional output level of meat and livestock products has been maintained, forestalling fear of food shortages.

The outlook for 1990 in agriculture is stable, as the price reform of January 1990 has simply rearranged intersector price relationships and does not advance toward market pricing. The government hopes to secure the largest possible domestic grain harvest and to cut imports of foodstuffs, so grain prices are expected to be maintained through 1990. Some reduction in output of meat and milk is forecast. Imports will supplement the domestic supply of fruits and vegetables. The critical uncertainties involve the sector's linkages to other sectors of the economy, such as spare parts, chemical supplies, and distribution of goods through the transportation sector, where problems are real.

Services Sector: As in other centrally planned economies, the services sector has performed poorly as a general rule. Indeed the impact of the massive emigration of recent months has compounded the sector's problems. Restaurants and retail outlets are notably short-staffed. The government's reform program, including the new joint venture law, seeks to grant considerably greater freedom for private enterprise and even foreign investment as a means for bolstering this important area of the economy. There are particularly promising possibilities for software firms, given the GDR's relatively strong computer industry.

International Trade and Payments: The GDR is a significant trading nation in its own right. In the past, it generally conducted two-thirds of its trade with CMEA partners and about one-third with the West. Roughly 40 percent of its overall trade

is with the Soviet Union, for which it is the primary trading partner. It is the second most important partner for the rest of Eastern Europe. About half of its hard currency trade is with the FRG, with roughly 80 percent conducted with partners from the European Community (EC). The GDR is largely an exporter of machinery and equipment as well as intermediate and other finished goods to both East and West. Virtually all of its energy imports and most raw materials supplies come from the Soviet Union.

With the veil of secrecy on GDR economic data gradually being lifted, a clearer picture of key components of the GDR balance of payments is emerging. Trade with CMEA partners was 800 million transferable rubles in surplus in 1989. In recent years prior to 1989, the GDR generally achieved balance in its hard currency trade. However, the government admits that the hard currency trade account moved from a $100 million surplus in 1988 to a deficit of more than $1 billion in 1989. For the first time, the government has published figures for the current account -- a deficit of $2.4 billion in 1989, or a deterioration from the 1988 $1 billion surplus generally estimated by Western specialists. Hard currency receipts for trade and services totaled $9.3 billion with payments of $11.7 billion. Uncertain economic performance in 1990, and the likelihood of some import growth, will mean further deficits in trade and in the current account this year.

Since the early 1980s, the GDR has enjoyed a relatively healthy foreign exchange reserve position. Its hard currency debt has been manageable. Former Deputy Prime Minister Luft publicly stated that the GDR's gross hard currency debt at the end of 1989 was $20.6 billion. This figure encompasses some $15 billion in liabilities to Bank for International Settlements (BIS) reporting banks (except the FRG) with the balance split among debt to the FRG, individual suppliers, and Arab banks. GDR assets with BIS banks were roughly $10 billion at mid-1989, although Luft indicated that GDR reserves were in the $7-$9 billion range by end-year.

Fiscal and Monetary Policy: In the past, the GDR dealt with fiscal issues in the context of a highly centralized economic plan. Annual budgets were balanced and internal debt was not a problem. As the country's crisis deepened, new evidence has emerged which portrayed a somewhat different situation. The government now acknowledges that the 1989 budget was some 5-6 billion East marks in deficit. With subsidies -- roughly 58 billion East marks in 1989 -- growing twice as fast as national income, the government projects that the deficit may triple to perhaps 17 billion East marks in 1990, or about 7 percent of PNI. Internal debt was reported in November 1989 as totaling 130 billion East marks, obligations previously obscured by government secrecy. Monetary policy is assuming greater importance in the course of the country's political and economic crisis. The

government is seeking to reform the banking system to create an independent central bank and to develop monetary and credit tools -- along with taxation -- by which to regulate the economy. At present, as elsewhere in Eastern Europe, repressed consumption led to forced savings. In the case of the GDR, this savings totals 177 billion East marks, or roughly the equivalent of one year's retail sales in the GDR. GDR economists assert that the actual market situation is less vulnerable, with a so-called monetary overhang exceeding 10 billion East marks. The population is particularly wary of possible monetary reform. Although savings remain stable, evidence suggests that some people have hedged against a possible monetary reform or inflation by acquiring antiques, consumer durables, and other stores of value. Concerns about monetary volatility partly underlie consideration of privatization of state enterprises as a means of absorbing potential liquidity.

Exchange Rates and Convertibility: The issue of currency convertibility lies at the heart of the GDR policy dilemma. The GDR has been forced by political and economic reality to abandon its long-held belief that the East mark held an equivalent transaction value to the FRG's Deutsche mark. Although the commercial exchange rate still remains 1 EM:1 DM, the GDR has established a 3:1 rate for tourist travel supported by the GDR-FRG travel fund, established in late December 1989. GDR citizens are limited to the annual purchase of only DM 200 at the 3:1 rate. The government asserts that fundamental economic conditions imply an effective exchange rate of about 4.5:1. Meanwhile, unofficial transactions in West Berlin and in the FRG proceed at rates of 7:1 and higher.

In response to an immediate need to stem massive emigration from the GDR, the FRG offered on April 23 to convert the East mark at a 1EM:1DM rate, paving the way for economic and monetary union by July 2. Specifics of the plan call for a 1EM:1DM rate for wages and pensions. For holdings of cash and savings, the 1:1 rate will apply on a graduated scale based on age. GDR citizens below the age of 15 can convert cash and savings at the 1:1 rate up to EM 2,000 person. From the ages of 15-59, up to EM 4,000 in cash and savings may be converted at the 1:1 rate. Persons 60 years of age or older may convert up to EM 6,000 in cash and savings per person at the 1:1 rate. For cash and savings above these amounts, a 2EM:1DM rate would apply. Mortgage debt and firm debt would also be converted at 2EM:1DM. The proposal calls for a 3EM:1DM conversion rate for East marks held outside the GDR. Non-GDR citizens and entities (including Western businesses) with accounts in the GDR will be given a conversion rate of 3EM:1DM based on the amount of East marks they had in accounts on December 31, 1989.

Economic Reform: The GDR Government must deal with the distortions and inefficiencies of the GDR's now discredited Stalinist model. Inflation and some economic dislocation are

inherent in the fundamental economic reforms needed to develop a competitive market-based economic system. Thorough price and wage reform represents a key point of departure. Economic decentralization is also required. The debate focuses on elimination of central planning and returning economic decision-making to enterprises and local government authorities. The government economic reform effort to date has concentrated on the conceptual and legislative underpinnings. Volkskammer action on new laws to establish property rights -- to ensure a level playing field for the state and private sectors alike -- and regulatory legislation covering taxation, commercial banking, and international financial relations are not expected until some time after the March election. The eventual success of the recent joint venture decree will depend to a great extent on the passage of such legislation so crucial to the development of a viable domestic market.

Ad hoc economic reform has come first to the foreign trade sector. In December 1989, the government shifted the weight of foreign trade responsibility to the country's kombinats and enterprises. The formerly powerful foreign trade organizations have lost considerable influence and their participation in decision-making has been sharply reduced. The spectrum of GDR enterprises must now develop their own export-import programs. Those enterprises that generate hard currency will enjoy greater latitude in determining its use. Major projects will, in many cases, remain under review by industrial ministries. The formal regulations institutionalizing these changes are only now catching up to the practice of recent months.

Joint Ventures: The GDR's joint venture law entered into force on January 30, with reaction generally mixed. The law permits foreign participation in joint ventures from 20 to 49 percent with larger stakes allowed when the venture is in the GDR's interest or when small or medium-sized enterprises are involved. The new Economic Committee of the Council of Ministers, the successor to the State Plan Commission, has authority to approve ventures, doing so within a three-month period. The law establishes the various forms of ownership (limited liability, joint stock, etc.) and confirms the right of profit and capital remittances in hard currency. The decree is likely to undergo considerable revision as GDR reforms proceed. The economic reform process should encompass legislation to establish property rights -- equal treatment for public and private sector alike -- as well as taxation and commercial banking. Substantial progress on all of these fronts is likely in the course of the year.

The FRG Dimension and Unification: The rapid pace of political change has brought the issue of German unification to the fore. The fundamental political reforms involving free travel and expression culminated with the GDR's first freely elected government. The election debate was strong, with support for unification growing over time and various political forms

proposed for the transition. In the meantime, the FRG has continued its two-decade-old policy of strengthening economic ties with the GDR.

The new political and economic reforms have brought new forms of FRG economic support. In past years, public and private sector support has been generally estimated in the range of DM 5-7 billion (approximately $3-$4 billion). The FRG continues to offer the GDR up to DM 850 million in interest free credit on its bilateral clearing account (the so-called swing credit). In addition, the FRG is extending to small and medium-sized GDR firms access to European Recovery Plan (ERP) credit (through the Kreditanstalt fuer Wiederaufbau), with the total availability increased to DM 6 billion. Various payments for infrastructure development continue. Given the prominence of environmental concerns in both countries, the FRG is offering some DM 1.5 billion in financial support to environmental projects in various areas of the GDR, including efforts to clean up the Elbe in the GDR's southern industrial belt. Private transfers probably continue to account for several billion Deutsche marks.

PART B: IMPLICATIONS FOR U.S. BUSINESS

Potential for Export Sales, Investment, and Industrial Cooperation: The medium-term outlook for economic cooperation with the GDR is particularly promising. The GDR is heavily dependent on trade, accounting for roughly one-third of national income. It has traditionally been the largest importer of Western goods among the non-Soviet CMEA countries. Moreover, as in the case of other CMEA countries where fundamental reforms are under way, the economy requires substantial investment to become competitive with the industrial West. Some observers argue that hundreds of billions of dollars will be needed over the next two decades. Most immediately, imports are likely to rise, perhaps significantly, as the government seeks to stabilize the economy.

There are several unique dimensions to GDR trade that should be of importance to U.S. firms interested in increasing sales and exploring cooperation and investment opportunities in the GDR. Of particular interest to U.S. companies with subsidiaries in the FRG is the fact that GDR-FRG trade is conducted on the basis of a bilateral clearing arrangement, where value-added taxes are rebated and trade imbalances are financed through use of the interest free "swing" credit, whose limit is DM 850 million. Even more significant, such U.S. subsidiaries should also be able to participate in such special FRG programs as the recently increased ERP financing available to small and medium-sized firms in both Germanys. Potential GDR partners of U.S. firms should be able to access ERP for joint ventures with U.S. companies that do not have a presence in the FRG.

The GDR's strategic location in trade terms is worth noting. The European Community (EC) recognizes the GDR's special status

vis-a-vis the FRG and essentially treats FRG-GDR trade as domestic, intra-German trade. In addition, the GDR-EC Trade and Cooperation Agreement was signed on March 13 and is seen as a first step on the way to GDR integration into the EC. Looking eastward, the GDR could be an interesting point of departure for U.S. firms interested in expanding their activity in Eastern Europe and the Soviet Union. Given the GDR's role as CMEA's second largest trader, cooperation with GDR enterprises could open additional trade opportunities in Eastern markets. To be sure, CMEA as a trading bloc is greatly weakened. But the personal and institutional relationships of the past decades will continue to represent a powerful foundation for future trade.

Trends and Prospects for U.S.-GDR Trade: U.S. exports to the GDR peaked in 1980 at $558 million, of which $534 million were agricultural goods. A combination of factors, not the least of which was a GDR decision not to develop an import-supported poultry industry, led the GDR to curtail large-scale agricultural purchases. U.S. exports, which fell as low as $32 million in 1987, have seen a notable increase in recent years, and in 1989 stood at $93.9 million. Of particular significance is the increasing share of industrial products, which now account for half of the export total. This recent growth still leaves the United States as a marginal hard currency trade partner for the GDR, which conducts some 80 percent of its hard currency trade with EC partners. The scale of intra-German trade -- DM 14 billion or roughly $8 billion -- contrasts sharply. U.S. imports from the GDR have risen in tandem with U.S. exports and, in recent years, have slightly exceeded U.S. exports.

Overall, U.S. sales may actually be more than double the official U.S. Department of Commerce figures if sales by U.S. European subsidiaries are taken into account. These sales are made most often by firms located in the FRG, France, Belgium, Austria, the United Kingdom and Switzerland. Many leading U.S. multinationals are active in the GDR. More than 120 U.S. companies are active at the twice yearly Leipzig fairs, with much of their business escaping the official bilateral trade statistics.

The Embassy, in cooperation with the Department of Commerce, organizes an official exhibition each year at the Spring and Fall Leipzig Fairs. U.S. firms have found this to be a low-cost and high-impact means to enter the GDR market: its key feature being extensive Embassy pre-fair marketing on behalf of participants. The number of U.S. participants at the Spring Fair has risen from 16 in 1986 to 27 in 1989. At the March 1990 Spring Fair, a total of 39 firms participated in the U.S. Business Center and another 80 participated on their own. At the Leipzig Fall Fair during the first week in September of each year, the Embassy will expand its traditional small business information office to a full-scale exhibition. For information on how to participate in future Leipzig Fairs, contact the U.S. Department of Commerce, GDR Desk, Room 3413, 14th and Constitution Avenue N.W., Washington, D.C.

20230; telephone: (202) 377-4915; fax: (202) 377-2155, or the Economic/Commercial Section of the U.S. Embassy in Berlin, at least three months in advance of either event. The address of the U.S. Embassy Berlin is Neustaedtische Kirchstrasse 4-5, 1080 Berlin (from the U.S., mail to USBER Box E, APO, NY 09742); telephone: (37-2) 2202741; fax: (37-2) 2292167.

Once firms have established their direction or position in the GDR market, they often find it to their advantage to become members of the U.S.-GDR Trade and Economic Council. The council is in the forefront of promoting U.S. business interests in the GDR. Companies interested in joining the council can seek additional information from William Beddow, Caterpillar Inc., 1730 Pennsylvania Ave., N.W., Washington, D.C. 20006; telephone: (202) 879-3050; fax: (202) 879-3060.

U.S. firms interested in the GDR market will find that the entire Embassy, and not just the Economic/Commercial Section, stands ready to assist. The Embassy provides briefings and counseling for U.S. businesses upon request, will arrange appointments for businesspeople with appropriate GDR contacts, and regularly makes representations on behalf of American products and services. In October 1989, the Embassy opened a commercial library, which further expands its ability to provide business facilitation services. This summer, in response to the overwhelming interest in doing business in the GDR, the Department of Commerce will also establish a U.S. and Foreign Commercial Service office in Berlin.

In Washington, the newly-opened Eastern Europe Business Information Center (EEBIC) assists U.S. companies in doing business in the GDR and throughout Eastern Europe. EEBIC, mandated by Congress as part of the 1989 Support for East European Democracy (SEED) Act, serves as the central clearinghouse for information on opportunities in Eastern Europe and on U.S. Government programs supporting trade and investment in Eastern Europe. EEBIC is located at the Department of Commerce, Room 6043, 14th and Constitution Ave. N.W., Washington, D.C. 20230; telephone: (202) 377-2645; fax (202) 377-4473.